PTC Elimination Act

Background and Purpose

The *PTC Elimination Act* establishes a concrete phase-out of the renewable energy production tax credit (PTC) and takes meaningful steps to ensure that it is not needlessly extended in the future.

The PTC was originally designed to help nascent renewable energy industries become economically self-sustaining. Yet over the years the credit has primarily become a large subsidy for a wind industry that no longer needs it. PTC was created in 1992, and has been repeatedly extended since, with decades of promises that it would no longer be needed after a few years. In addition, even after expiration of the PTC, facilities that secured eligibility before expiration receive the credit for ten years of production.

Wind power has grown tremendously since 1992 and is now a multibillion dollar industry. Capacity has increased 5,000% and production of energy by wind has surged from 2.8 million megawatt-hours to 167.6 million megawatt-hours.[1] Businesses in the wind industry have represented to the Ways and Means Committee that the industry could survive with a credit worth 60% of the current credit.

Yet the wind industry continues to get a subsidy that, per kilowatt hour, amounts to over 10 times that received by other clean energy sources, such as natural gas and nuclear. This creates market disruptions, leading to generators' paying for grid operators to *take* their wind energy, and endangering the environment by putting pressure on other clean energy and potentially forcing greater reliance on older forms of power.

Legislative Solution

The *PTC Elimination Act* would establish a phase-out and help secure the non-renewal of the PTC by:

1) Repealing the inflation adjustment that exists for current recipients of the PTC, reducing their subsidy by approximately 35% for their remaining time.

2) Clarifying the "beginning of construction" threshold (which must have been met by December 31, 2014, for new facilities to be eligible to start receiving PTC) to strengthen requirements that eligible construction be continuous, significant, and finite.

3) Repealing the entirety of the PTC's statutory framework, Sec. 45 of the Internal Revenue Code, after December 31, 2025, to put a hard stop date on credits and deter extenders.

4) Expressing the sense of Congress that PTC should not be extended or renewed, either retroactively or going forward, and should remain expired as of December 31, 2014.

Proposals similar to the *PTC Elimination Act* have been estimated to save $9.6 billion over 10 years.[2] By restraining PTC extenders, and considering current dollar value, this Act's practical savings can be even greater. These will then be passed on to American businesses via an across-the-board offset applied to corporate tax rates, which are widely agreed upon as being too high for global competitiveness.

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[1] Tim Phillips. "Wind Power Is Intermittent, But Subsidies Are Eternal." The Wall Street Journal. 30 Nov. 2014. <http://www.wsj.com/articles/tim-phillips-wind-power-is-intermittent-but-subsidies-are-eternal-1417386670>.

[2] Molly E. Sherlock. "The Renewable Electricity Production Tax Credit: In Brief." Congressional Research Service. 2 Oct. 2014. p. 11-12; Table 5.